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Business

Lebanon: Experts Call for Selling Part of Gold Reserves to Restructure Economy

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FILE PHOTO: Gold bullion is displayed at Hatton Garden Metals precious metal dealers in London, Britain July 21, 2015. REUTERS/Neil Hall/File Photo

Beirut - Paula Astih

With the deterioration of economic conditions to unprecedented levels, Lebanese officials are looking into the possibility to rescheduling the public debt and to set up plans with the International Monetary Fund (IMF) to revitalize the economy.

Attention is also turning to the country's gold reserves, which have so far been regarded as a red line and the sole guarantee for the stability of the local currency against the US dollar.

A few years ago, talks about selling gold reserves to pay part of the public debt constituted a taboo. Today, economic and financial experts are proposing it to stop a financial collapse.

The president of Information International - a Beirut-based research and statistics company - said: "It is time to think about using gold to restructure the economy, protect people and preserve our sovereignty, provided that we do not waste it to pay the debt or to finance squandering; it should be part of a comprehensive plan."

"Why don't we start with gold in New York?", referring to some part of Lebanon's gold reserves in the United States.

Ghassan Ayyash, former deputy governor of the central bank pointed out that for a long time, gold reserves were seen as a guarantee of the Lebanese pound and its stability.



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"This was true when the size of gold was proportional to the size of the monetary mass and the existing GDP, and when the global monetary system was based on gold coverage of currencies," he told Asharq Al-Awsat.

He continued: "As the size of the monetary mass has swelled and the coverage in gold has become insufficient, there is no doubt that the gold reserve is no longer a guarantee for the currency peg."

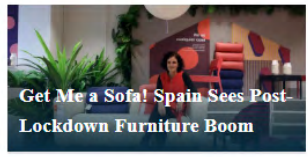
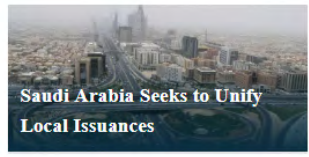

Ayyash noted that selling a portion of it, after a large part of the reserves in foreign currencies was wasted, "might partly help rebuild the cash reserve of the central bank, which was used to finance the trade balance and the demand for foreign currencies."

"If we sell a portion of gold for about \$7 billion within a comprehensive reform program, this may be part of the solution, even if we still need banks," he remarked.

Ironically, Lebanon, which tops the list of indebted countries in the world in proportion to its GDP after Japan, is among the first twenty states worldwide that possess the largest reserves of gold, about 286.6 tons of gold valued at \$16 billion.

Lebanon began collecting gold a few years after the independence in 1943 until 1971. With the outbreak of the civil war in 1975, Lebanon transferred to the US State of Kentucky part of its gold reserves to protect it, as many other countries did.

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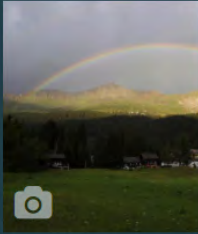
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